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Trends and progress in international development cooperation

Report of the Secretary-General

Summary

In accordance with General Assembly resolution 61/16, the present report is submitted by the Secretary-General for consideration by the Development Cooperation Forum. It builds on the two-year preparatory process for the biennial high-level meeting of the Forum, to take place in New York on 10 and 11 July 2014. The report provides a brief overview of the preparatory process and the ways in which the process has underscored the need for a new narrative of development cooperation that fits the transformation envisaged in the emerging post-2015 development agenda (section I). The Secretary-General reviews recent trends in international development cooperation, focusing on progress in and allocation of official development assistance, and trends in other sources of development cooperation — public and private, international and domestic resources — that will be needed to provide support for the implementation of an ambitious post-2015 development agenda (section II). The Secretary-General also examines the principles of quality and effectiveness of development cooperation (section III), and reviews South-South cooperation in terms of principles, approaches and features, recent trends and challenges (section IV). The report explores features of a renewed global partnership for development (section V) and addresses how to strengthen mutual accountability and the availability of user-friendly information, looking ahead to a global monitoring and accountability framework for development cooperation after 2015 (section VI). The report concludes with key messages and recommendations (section VII).

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I. Introduction

1. In accordance with General Assembly resolution 61/16, the present report is submitted by the Secretary-General for consideration by the Development Cooperation Forum. The report builds on the two-year preparatory process for the 2014 Forum, which has integrated analytical work with stakeholder engagement and high-level preparatory symposiums held in Ethiopia, Germany and Switzerland.

2. The 2012-2014 Development Cooperation Forum cycle has aimed, in particular, to (a) examine the implications of a post-2015 development agenda for the future of development cooperation, (b) assess how a renewed global partnership for development could work in practice, (c) advance policy dialogue among Southern development cooperation partners on common issues and challenges, and (d) identify ways to enhance effectiveness and global monitoring and accountability for development cooperation. Dedicated policy dialogues were also held on the role of different actors in development cooperation after 2015, including Southern partners, women, philanthropic foundations and local and regional authorities.

3. The 2014 Forum aims to contribute to the discussions on a post-2015 development agenda which unifies efforts to address poverty eradication and sustainable development and which applies universally, to all countries. The present report reflects the main messages emanating from the preparations for the Forum on the need for a new narrative of development cooperation that fits the transformation envisaged in the emerging post-2015 development agenda.

II. Recent trends in international development cooperation

A. Progress in and allocation of official development assistance

4. Official development assistance (ODA) will continue to be a critical source of development finance after 2015. Yet, the use of ODA needs to be rethought so as to meet both established and new demands and to adapt to a unified and universal development agenda. ODA can be better targeted than other sources to help ensure inclusive access to public services; leverage other sources of development finance or improve their targeting; and put the world on the pathway to sustainability. Further progress on ODA quality, transparency and accountability will also be critical.

5. According to the Organization for Economic Cooperation and Development (OECD), after two years of falling volumes, ODA rebounded in 2013 and reached its highest-ever level, with US$ 134.8 billion in net disbursements.[1] This amount marks a 6.1 per cent increase in net ODA in real terms compared to 2012, with most increases resulting from multilateral and humanitarian aid and increased debt relief. With this, Development Assistance Committee donors provided 0.30 per cent of their combined gross national income as ODA, still far from the United Nations target of 0.7 per cent. Only five donors met the target of 0.7 per cent,[2] including the United Kingdom of

[1] OECD, "Aid to developing countries rebounds in 2013 to reach an all-time high" (Press release, Paris, 8 April 2014).

[2] Denmark, Luxembourg, Norway, Sweden and the United Kingdom of Great Britain and Northern Ireland.

Great Britain and Northern Ireland, which became the first Group of 8 country to meet the target since it was agreed in 1970. Seventeen of the 28 members of the Development Assistance Committee[3] increased ODA, while 11 reported a decrease. The Committee's forward spending survey of 2014 indicates that country programmable aid rose by 10.2 per cent in real terms in 2013; it is projected to increase slightly by 2.4 per cent in real terms in 2014 and to remain stable beyond 2014.[4] A detailed analysis of progress achieved in Millennium Development Goal 8, including ODA trends, will be provided in the forthcoming 2014 MDG Gap Task Force Report.

6. Not all groups of developing countries have benefited from ODA increases equally. Net bilateral ODA to least developed countries rose by 12.3 per cent in real terms in 2013 to about $30 billion, although that amount is due mainly to exceptional debt relief to Myanmar. ODA to the African continent decreased by 5.6 per cent in 2013, despite Africa's being considered an international priority for ODA allocation. In 2012 (as data for 2013 was not fully available), ODA to least developed countries, at 0.09 per cent of the gross national income of Development Assistance Committee donors, remained far below the United Nations target of 0.15 to 0.20 per cent, which was met by only eight countries.[5] The share of ODA flows to least developed countries has been decreasing in recent years, while allocations have increased to upper middle-income countries.[6] Similarly, overall aid for trade commitments increased by 20 per cent in 2012. Yet, the share of total aid for trade of least developed countries fell by 2 per cent in 2012.[7] Given their poor record regarding the Millennium Development Goals and the fact that ODA still represents over 70 per cent of the total external finance of least developed countries,[8] the prospect of decreases in flows of ODA to least developed countries, especially in Africa, is worrisome.[9]

7. ODA to landlocked developing countries has stagnated for four consecutive years since 2009, at around $24.5 billion (in 2012 dollars).[10] ODA to small island developing States fell steeply, from $7.3 billion in 2010 to $4.4 billion in 2012. Moreover, ODA to countries affected by conflict or in vulnerable situations, several of which are already underaided, is expected to shrink further.[11]

8. There is a clear sense that while poverty eradication will remain the central imperative after 2015, sustainable development will also move centre stage, as reflected in the current work on sustainable development goals. All developing countries will need continued support to pursue sustainable development, but the kind of support needed will change over time. A different mix of financial support, capacity-building, knowledge-sharing and technology transfer will be required. An enabling macroeconomic environment and international financial cooperation and

[3] The analysis includes aid flows from the Czech Republic, Iceland, Slovakia and Slovenia.

[4] OECD, *Outlook on aid: survey on donors' forward spending plans 2014-2017* (forthcoming).

[5] Denmark, Finland, Ireland, Luxembourg, the Netherlands, Norway, Sweden and the United Kingdom.

[6] OECD, *Targeting ODA Towards Countries in Greatest Need*, DCD/DAC 2014 (20).

[7] OECD, *Aid for Trade in 2012: Increasing Volumes Hardening Terms*, CTD Session on Aid for Trade, WTO, 9 April 2014.

[8] OECD, *Targeting ODA Towards Countries in Greatest Need*, DCD/DAC 2014 (20).

[9] OECD, *Outlook on aid: survey on donors' forward spending plans 2014-2017* (forthcoming).

[10] United Nations, 2014 MDG Gap Task Force Report (forthcoming).

[11] OECD, *Fragile States 2014: domestic revenue mobilization*, 2014.

greater policy coherence between aid and non-aid policies (e.g. trade, debt, agricultural subsidies, financial and tax regulations, and technology) are critical for all countries; yet these elements will carry particular weight in the growing number of less aid-dependent countries.

9. ODA will remain crucial in least developed countries.[12] Yet, well-targeted support can also be highly effective in supporting the transition in middle-income countries. Especially in low middle-income countries, ODA can play a critical role in tackling structural barriers and in building the institutional frameworks needed for economic growth, good governance and investment.[13]

10. A key challenge for policymakers will be to reconcile the demands of the different groups of countries arising from a more ambitious post-2015 development agenda. Currently, the majority of individuals whose income or consumption is below the poverty lines of $1.25 and $2.00 per day are located in the heterogeneous group of middle-income countries. Even in 2030, middle-income countries could account for between one-third and one-half of global poverty (estimated against the two respective income poverty lines), if inequality trends continue on their current trajectory.[14] At the same time, a core group of about 30 low-income countries, many emerging from conflict, remain very vulnerable. Adopting a targeted approach to assist those living in extreme poverty will be critical.

Redefinition of official development assistance

Several approaches for updating the methodology for measuring ODA are being discussed at the Organization for Economic Cooperation and Development. These approaches include only counting the grant equivalent of loans, as opposed to the total face value loan amount in ODA, and removing "in-donor" costs, such as refugee costs or administrative costs of operating a development cooperation agency, from ODA, to remove perverse incentives.[15]

Discussions centre on establishing clear quantitative criteria for the term "concessional in character". To better include and record donors' budgetary efforts and burden-sharing, proposals range from using a fixed interest rate (such as 5 per cent, down from 10 per cent) to discount loans and to establish their grant element, or using a differentiated, risk-adjusted reference rate to better reflect the present global situation in financial markets.

[12] Least developed countries would benefit from ODA allocation based on the agreed criteria regarding least developed country indicators, gross national income per capita, the human assets index and the economic vulnerability index (see General Assembly resolution 67/221).

[13] Jose Antonio Alonso; Jonathan Glennie; and Andy Sumner, "Middle-income countries and the future of development cooperation", 2014.

[14] Sumner, Andy "Where do the Poor Live?", World Development, 40, 2012.

[15] OECD, "Modernizing the DAC's Development Finance Statistics", DAC senior-level meeting, 3-4 March 2014.

There is concern that a redefinition may statistically inflate the volume of ODA. This could make it easier for donors to meet the ODA target of 0.7 per cent of GNI with a smaller donor effort than what would be needed to meet the ODA target under the current definition. Yet, it is also seen as an opportunity to ensure the reliability of ODA as an indicator of donor effort and to further incentivize and redirect ODA to where it is most needed and has the greatest impact.

The exercise, to be completed by the end of 2014, also entails an effort to develop a broader headline measure of "total official support for development" to include other flows, such as innovative instruments leveraging resources from the private sector, support to global public goods and possibly also certain peace and security expenditure.

Such a broader concept will include less concessional flows than ODA and funds allocated for uses not included in the present ODA definition. This comes in response to ongoing discussions about the boundaries of ODA and the prospect of a broader post-2015 development agenda, with unprecedented financing needs.

11. ODA is increasingly being used to finance regional and global public goods, including research for infectious disease control, crime control and environmental sustainability.[16] Climate change financing has largely evolved on a separate track. A post-2015 development agenda, unifying poverty eradication and sustainable development, raises the concern that ODA may be diverted from poverty eradication. While often entailing large developmental benefits for recipient countries, international public finance used for global public goods is conceptually different and should be understood as such. It is critical that financing flows for global public goods are accounted for separately and that they are additional to existing ODA commitments.[17]

B. Trends in other sources of development cooperation

12. Private and public resources — both national and international — are necessary to complete the unfinished Millennium Development Goals business and to finance the large-scale, long-term investment needs associated with sustainable development. The trends in ODA and the role ODA can play in leveraging other sources of development financing, especially in areas where private sources are insufficient or unavailable, will be examined in paragraphs 13 to 20 below.

13. Despite recent progress, a significant gap persists in raising public revenues, especially in low-income countries, where in 2009 tax revenues accounted for only 10 to 14 per cent of gross domestic product (GDP), one third less than in middle-income countries and far below the 20 to 30 per cent of GDP reached in high-income

[16] United Nations Task Team Working Group on Financing for Sustainable Development, background paper "The variety of national, regional and international public sources for development finance", 2013

[17] Ibid.

countries.[18] Low tax to GDP ratios are exacerbated by capital flight. Despite donors' strong political commitment and increasing evidence of the success of ODA used in support of tax matters, in 2012 only $120 million, or 0.07 per cent of ODA provided to developing countries, supported tax-related activities as a primary focus.[19] As the international community is scaling up ODA in support of domestic resource mobilization, international tax dialogue forums, such as the International Tax Dialogue, the International Tax Compact and the African Tax Administration Forum, can help to ensure coherence and coordination, but they cannot substitute for improved donor reporting.[20]

14. Global foreign direct investment (FDI) remains the largest and most stable external source of private financing in developing countries. FDI inflows to developing countries reached a new high of $759 billion in 2013.[21] Both the allocation and quality of FDI continue to be of concern. FDI remains concentrated in a small number of developing countries. A total of $322 billion of FDI goes to Brazil, the Russian Federation, India, China and South Africa (BRICS). Flows to Africa, although on the rise, remain concentrated in resource-rich countries. Data suggests a shift towards more volatile forms of investment.[22] ODA can help to catalyse FDI and support developing countries in creating an enabling domestic environment for FDI that promotes growth, employment and other development objectives. Such efforts should be supported by an enabling macroeconomic and financial environment and better access to international financial markets.

15. Steps also need to be taken to tap the resources of institutional investors. Currently, less than 1 per cent of institutional investors' portfolios are allocated to infrastructure investments in developing countries.[23] Pension funds, insurance companies, mutual funds or sovereign wealth funds in high-income and emerging economies are seen as potential pools for such investments.[24] Some of the major barriers to unlocking this potential include the lack of high quality feasibility studies and bankable projects, an enabling environment conducive to investment in developing countries, expertise to assess infrastructure projects and adequate governance mechanisms and institutions.

16. Leveraging public financing has potential to generate additional resources for development cooperation. It can encourage investment that would otherwise be deemed too risky or unprofitable. There will be added impact if investments are backed by an enabling macroeconomic environment and structures that link them to value chains in which poor farmers and service providers can participate. Leveraging and blending public and private financing should be guided by development

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[18] World Bank, *Financing for Development Post-2015*, 2013.

[19] OECD, 2012 data on ODA commitments for tax activities (excludes figures from the International Monetary Fund).

[20] The Development Assistance Committee Working Party on Development Finance Statistics has been tasked to develop alternatives to improve donor reporting on their direct support to tax-related activities.

[21] United Nations Conference on Trade and Development, *Global Investment Trends Monitor*, No. 15, 2014.

[22] See E/2014/53.

[23] Department of Economic and Social Affairs, "Mapping of global public sector financing flows" (2013); background paper for the Intergovernmental Committee of Experts on Sustainable Development Financing.

[24] Ibid.

effectiveness principles to prevent drawbacks such as lack of clarity about additionality and purpose; limited influence of donors and recipients on investment design and implementation; diminished transparency and accountability; risk of misalignment of private sector and country priorities; danger of increased debt burden; inattention to small- and medium-sized enterprises; the opportunity cost incurred when use of public money to mobilize private resources does not have the same or a larger development impact than if it had been devoted directly to a developmental purpose; and the risks of misappropriation.

17. Accurate data on the growing contributions from the diverse range of philanthropic foundations, including, increasingly, in emerging economies, is not readily available. Efforts by a small but growing number of venture philanthropists — or impact investors — are promising,[25] but they require careful scrutiny to assess the sustainability of their initiatives and potential for scaling-up.

18. South-South cooperation (SSC) continues to rise in scale and importance, together with growing South-South trade, investment and regional integration (see section IV below). SSC is foreseen to continue its growth as a proportion of international development cooperation, given the plans by large developing economies to increase such cooperation considerably over the next five years.

19. Rapid urbanization and the emergence of new forms of decentralized governance and cooperation have led to markedly greater involvement of local and regional governments in the planning and delivery of development cooperation. There is growing interest in quantifying such decentralized development cooperation as an increasingly relevant channel and ensuring synergies with national programmes of support for decentralization.

20. So far, innovative development financing mechanisms have raised or intermediated only a modest amount of resources — $5.8 billion for health and $2.6 billion for climate and other environmental programmes. Yet, if successfully implemented, they could generate as much as $400 billion to $450 billion per year in additional long-term predictable funding,[26] including, for example, low-carbon investments.[27]

III. Ensuring the quality and effectiveness of development cooperation

21. Effectiveness issues arise among all development partners and can be linked to challenges at the technical level as well as to a lack of priority. The effectiveness of all types of development cooperation needs to be improved so as to support inclusive country ownership, as well as trust-based, inclusive partnerships and a focus on long-term, cost-effective development impact. Overly ambitious or unrealistic timetables that do not take into account the absorptive and operational capacities, budgetary

[25] OECD netFWD (2014), *Venture philanthropy in development: dynamics, challenges and lessons in the search for greater impact*, 2014.

[26] Department of Economic and Social Affairs, "In search of new development finance", World Economic and Social Survey, 2012.

[27] United Nations System Task Team on the Post-2015 United Nations Development Agenda Working Group on Financing for Sustainable Development, *The variety of national, regional and international public sources of development finance*, 2013.

issues and political factors, fragmentation and lack of coherence associated with a multiplicity of actors can prevent the effective delivery and use of international development cooperation.

22. The 2014 progress report prepared for the Global Partnership for Effective Development Cooperation reviews principles agreed in 2011 at the Fourth High-level Forum on Aid Effectiveness and demonstrates that some progress has been achieved on critical ODA commitments and other aspects of effective development cooperation, while it calls for further improvements.

23. Effective monitoring and continued policy dialogue at the United Nations among all Member States and other actors are needed to make greater progress towards effective development cooperation. The Global Partnership can make specific contributions to this effort.

A. Official development assistance quality principles: a way forward for better operations

24. International efforts to increase ODA effectiveness and the impact of poverty reduction have been emphasized since the 2002 Monterrey Consensus on Financing for Development. Some progress has been made on certain principles covered by the aid effectiveness agenda, such as untying (opening competition for aid-funded procurement), reporting ODA in the national budget of aid-receiving countries and using country administrative systems in the management of aid-funded programmes and projects. Other "ODA quality" principles, referenced in different United Nations summits and conferences, have not received adequate attention in the absence of measurable indicators or targets.

25. Conditions attached to ODA delivery remain too numerous and detailed in some cases. Policy conditionality works best if designed as a harmonized system of incentives by all ODA providers and is based on increased coherence with other policy areas. Independent assessments of good practices pursued in reaching mutual agreement on ODA delivery targets, benchmarks and policies, together with global tracking of progress based on clear indicators, could further advance progress.

26. The proportion of untied bilateral ODA reached 79 per cent in 2012.[28] Fully untied ODA to all recipient countries can reduce the costs of goods and services by 15 to 30 per cent, or even more, for example, in the case of food assistance.[29]

27. Sector-wide or programme-based approaches have shown good results in supporting countries' efforts to harmonize planning, disbursement and reporting procedures, including by using pooled funding and direct budget support. Effective modalities such as these should be further analysed and better shared.

28. Despite ongoing reforms, internal donor procedures remain complex and insufficiently flexible, impeding country-owned cooperation. Decentralizing decision-making and increasing joint multi-year programming, financing and analysis remain priorities. The fragmented landscape of ODA providers has an uneven impact on recipient Governments, depending mainly on their ability to

[28] OECD/UNDP (2014), *Making development cooperation more effective: 2014 progress report*.

[29] OECD (2009), *Untying aid: is it working? Thematic study on the developmental effectiveness of untied aid: evaluation of the implementation of the Paris Declaration and of the 2001 DAC recommendation on untying ODA to the LDCs*.

manage this diversity, for example, through greater coherence in their national coordinating bodies to manage ODA.

29. Predictability, or more reliable information on scheduled and actual ODA disbursements, enables Governments to plan and deploy funds meaningfully in line with priorities. Eighty-four per cent of scheduled disbursements of 77 ODA providers were paid out within the fiscal year, as scheduled, up from 79 per cent in 2010.[30] Yet, gaps remain in making disbursement plans accurate. On average, 83 per cent of estimated total funding is covered by forward-spending plans for the fiscal year ending in 2014, 70 per cent for 2015 and 57 per cent for 2016.[31] Efforts must continue to be made to implement rolling three- to five-year forward expenditure plans, to enable full medium-term predictability.

30. Parliaments and civil society — including independent media and audit and evaluation offices, and local and regional government authorities and offices — each play distinct and essential roles in increasing accountability and participatory governance. An enabling, democratic environment, including the requisite legislative and institutional frameworks, mechanisms that inform, consult and involve citizens, and civic education are all essential to foster social accountability of ODA spending and the national budget.

31. Information on ODA spending and absorption must become a more useable tool in order for developing countries to plan and manage development programmes effectively, to deliver services where they are needed most and to hold providers accountable for agreed targets. It is also essential for parliaments and ODA providers, and for citizens to hold their Governments answerable.

32. Providers should help to build capacity so as to strengthen data collection and statistical analysis. Such support can be monitored through existing global initiatives, such as the International Aid Transparency Initiative, the Open Government Partnership or the Open Budget Partnership. While some progress has been made in strengthening national mutual accountability for development cooperation, it remains limited (see section VI below).

33. Countries are making greater efforts to track ODA allocations to gender equality.[32] While the coverage ratio of ODA in the gender equality marker system has increased, providers should also put in place tracking systems to identify commitments to direct investments in women and girls. Gender-sensitive monitoring and accountability needs to be strengthened and underpinned by rigorous impact evaluations.

34. Voluntary tracking of progress on the implementation of principles can facilitate behavioural changes and policy, and operational and procedural reforms. It should be extended to the range of ODA quality principles and reflected in accountability and transparency initiatives tracking ODA performance. Independent reviews of the progress of providers and recipients can also be effective in exerting pressure. Such reviews should be fully funded and in line with national monitoring efforts.

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[30] OECD/UNDP (2014), *Making development cooperation more effective*.

[31] Ibid.

[32] Ibid.

B. Quality and effectiveness of development cooperation beyond official development assistance

35. Development cooperation actors base partnerships on unique histories and practices. There is a logic to further explore effectiveness principles of different players as input to a renewed global partnership for development and a common narrative for development cooperation after 2015 (see section V below). Despite differences on technical aspects, there are common strands concerning national ownership, trust-based, inclusive partnerships and a focusing on long-term, cost-effective development impact. The impact of private sector engagement in development will need to be assessed regularly in future.

36. Despite the appeal of their innovative business models, philanthropic organizations implement their assistance in a way that can have unintended impacts. Some foundations have started to engage in dialogue on effective development cooperation to identify opportunities for collaboration and to provide data, including impact assessments.[33]

37. South-South cooperation (SSC) is usually initiated to address specific needs at the request of developing countries, without promoting a model of development or imposing policy conditions and with a focus on mutual benefits (see section IV below). Assistance is usually provided in a timely manner and delivered flexibly. SSC offers options for developing countries to benefit from solutions that are cost-effective and worked out in similar development contexts. Southern partners are making efforts to better measure and evaluate their cooperation, going beyond mere quantification in monetary terms.

38. The Istanbul Principles for Civil Society Organizations' Development Effectiveness and the International Framework for Civil Society Organization Development Effectiveness set out how civil society can be more effective as advocates and delivering agents. They outline steps to be taken in transparency, multiple accountability and integrity in their internal operations and relationships, as actors in their own rights. Civil society requires an enabling environment, resources and an institutional home for structured independent analysis and global monitoring of progress regarding global principles for development effectiveness.

39. Decentralized development cooperation has moved notably from a donor-recipient model to a collaborative peer-to-peer engagement of local and regional governments, their associations and multilateral actors. Such cooperation can facilitate the cost-effective and targeted delivery of services, directly responding to challenges that affect the lives of citizens. It benefits from close proximity, local ownership and a sense of accountability, though monitoring is home-grown and in its infancy. It also faces challenges to scaling up successes and aligning with national priorities. More research is needed to collect performance information more systematically, including on South-South decentralized cooperation and engagements of local and regional governments with the private sector.

[33] See voluntary guidelines for effective philanthropic engagement, developed by several foundations in conjunction with OECD netFWD.

IV. Harnessing the benefits of South-South cooperation

A. Principles, approaches and features

40. Over the past 60 years, as countries in the South have evolved, so has their development cooperation. South-South development cooperation embraces a wide range of approaches to addressing a variety of development challenges, anchored in different histories, economic capabilities, political systems and institutional configurations.

41. Even with this diversity, some principles, as emphasized in the outcome document of the High-level United Nations Conference on South-South Cooperation, held in Nairobi, and other international conferences, can be widely observed in the policies and practices of Southern partners. Examples include respect for national sovereignty, ownership and independence; non-interference in domestic affairs; alignment with national priorities; and unity, solidarity and equality among partners. A review undertaken by the Department of Economic and Social Affairs reveals that principles of South-South cooperation have evolved with geopolitical and economic developments. Many globally endorsed principles first emerged in bilateral or regional contexts. They are applied in different contexts and practiced in different ways.

42. Southern partners have identified some key features of South-South cooperation in recent dialogue, under the auspices of the Development Cooperation Forum, including the following: diversity of approaches; horizontality, as a voluntary process and mutually agreed relationship; equal distribution of benefits; non-conditionality; comprehensive vision, cultivating the capacity for longer-term sustained development; results-orientation, aimed at enhancing mutual benefits and promoting win-win outcomes and complementarities; flexibility, in ways of sharing their own development experiences and knowledge; and visibility, with a focus on concrete results and through demand-driven projects that target country needs.

43. Some Southern partners see an integrated approach — encompassing also non-concessional loans and commercial transactions in trade and investment — as another distinct feature of their cooperation, though this approach goes beyond the scope of South-South cooperation applied in the present report.

B. Recent trends and developments

44. South-South cooperation[34] is estimated at between $16.1 billion and $19 billion in 2011.[35] The share of SSC in total development cooperation increased

[34] For reporting purposes, South-South cooperation in the present report includes official concessional resources (concessional loans, grants as well as debt relief and technical cooperation) that are provided within the South for development purposes.

[35] Many Southern partners do not publish data on a yearly basis. As a result, figures on the volume of SSC are estimates based on data collected in preparation for the second international development cooperation report (Department of Economic and Social Affairs, forthcoming). Only partial data is available for 2012-2013. Therefore, it is not possible to report the volume of SSC for 2012-2013. It is also recognized in the present report that, owing to the specificities of SSC, the reporting of the financial value of such cooperation can only be indicative and cannot capture the actual scale and impact of SSC.

from 6.7 per cent in 2006 to 10 per cent in 2011 — below its peak of 11 per cent in 2008. South-South humanitarian assistance varies between 3.5 and 5 per cent of total SSC, with Arab countries accounting for half of the disbursements.

45. Many Southern partners carry out their development cooperation within their regions, where they play "anchor" roles that drive growth, trade and investment. Some partners also prioritize countries where they have historical cultural, religious or linguistic ties. Relatively fewer partners have global reach. The increasing role of Southern multilateral institutions[36] will potentially increase the geographical coverage of SSC. Analysis of larger Southern partners indicates that over three-quarters of their SSC involves low-income countries or least developed countries. They concentrate their concessional resources on these countries and provide non-concessional export credits to richer countries.

46. SSC covers a wide range of sectors. Some Southern partners are particularly willing to support infrastructure and production, in part reflecting acknowledgement of the role of such sectors in their own development. Infrastructure predominates, estimated at around 55 per cent of SSC. Yet, over a third of SSC continues to support social sectors and it is prominent in agriculture and food security, health, education and, increasingly, social protection. Individual partners' sectoral allocation patterns tend to mirror strong and growing sectors in their own countries, which allow them to draw on high expertise and new technology.

47. Many Southern partners offer grant-based cooperation only, whereas some larger bilateral and multilateral partners provide concessional loans primarily. Detailed analysis indicates that most SSC loans are highly concessional. Nevertheless, there appears to be considerable confusion in the international community about the cost of such loans, in part because observers are also including non-concessional export credits, or lines of credit, and private sector loans and investment.

48. SSC is characterized by its diversity and is provided through a number of modalities. Projects, including technical cooperation and capacity-building initiatives, represent around 75 per cent of SSC. In recent years, some Southern partners have been transforming their technical cooperation from training to larger investments so as to build institutions in partner countries.

49. SSC is undertaken primarily through bilateral channels. In recent years, Southern partners have increasingly been working with multilateral institutions, such as the United Nations, the World Bank and regional organizations. In general, smaller developing countries put a relatively higher emphasis on channelling their development funding through multilateral organizations. Southern multilateral organizations are also becoming significant channels of SSC.

50. SSC tends to come with few preceding procedural conditions which must be met before cooperation goes into effect. The purchase of goods and services from the providing country, or the direct provision of experts, labour and materials, is more often observed in bilateral SSC; most SSC undertaken by Southern multilateral and regional organizations does not contain such terms. Partners also

[36] For example, the Islamic Development Bank, the Arab Fund for Economic and Social Development, the Arab Bank for Economic Development in Africa, the Fund for International Development of the Organization of the Petroleum Exporting Countries and the Bank of the South.

particularly value SSC for its flexibility to support key (and changing) priorities in their own national development programmes (see section III.B above).

C. Challenges

51. Recent dialogues among Southern partners repeatedly underscored the need to improve SSC on several fronts.

52. There have been calls to strengthen the sustainability of South-South development cooperation. It has been observed that some ambitious South-South initiatives in this area are constrained by financing and, as a result, lack follow-up.

53. The quality and availability of information on the scale and impact of SSC have not kept pace with the growing demands among Southern partners for peer learning. Southern partners have thus stressed the importance of strengthening the evaluation of the achievements and development impact of SSC projects. This effort would help them to reflect more systematically on the strengths and weaknesses of their development cooperation and further improve the results. Some Southern partners have taken steps to improve the availability of information, while improving the evaluation of their cooperation.

54. Current analytical frameworks, which draw on those used for traditional development cooperation, are also considered inadequate for South-South cooperation, given its different modalities. There have been suggestions to rethink the framing of SSC approaches, modalities and issues by developing a lexicon suited to SSC.

55. Southern partners have also expressed a need to further promote South-South learning at the global level. At global forums, developing countries are sharing their successful experiences. Such peer learning could potentially enrich global development dialogue. Multilateral institutions and the Development Cooperation Forum are expected to play a more active role in facilitation of such learning.

V. Renewing the global partnership for development

A. Implementing the global partnership for development

56. The global partnership for development is set out in the Millennium Declaration, the 2002 Monterrey Consensus of the International Conference on Financing for Development and the 2002 Johannesburg Plan of Implementation on sustainable development. It has served, among other purposes, as the framework for mobilizing international support for the implementation of the Millennium Development Goals and other internationally agreed development goals.

57. With its focus on ODA, trade, debt relief and making available the benefits of new technologies, Millennium Development Goal 8, on developing a global partnership for development, captures several key issues addressed in the Monterrey Consensus. Yet, the Monterrey Consensus goes well beyond those issues by also addressing domestic resource mobilization, international private financing and systemic issues, namely, ensuring that international monetary, financial and trading systems support development efforts. The Johannesburg Plan of Implementation

stresses additional elements, such as the importance of capacity-building, technology transfer and multi-stakeholder partnerships for transitioning towards sustainable development. At the United Nations Conference on Sustainable Development, held in Rio de Janeiro in 2012, Member States also agreed to develop strategies to finance sustainable development.

B. Key features of a renewed global partnership for development

58. A transformative post-2015 development agenda, with sustainable development at its centre, must be matched by a different scale and scope of support. Mobilizing ODA will remain a central purpose of the global partnership for development. Yet, a renewed and intergovernmentally agreed global partnership for development is needed that puts greater emphasis on the full breadth of issues captured in the Monterrey Consensus and complemented by the Johannesburg Plan of Implementation and outcomes of the related follow-up processes, including the Doha Declaration on Financing for Development and the outcome document of the 2012 United Nations Conference on Sustainable Development.

59. A renewed global partnership for development will have to bring together the Monterrey and Rio tracks on financing for development and means of implementation, taking the Monterrey Consensus as a starting point. It will have to mobilize domestic and international support — both public and private — to complete the unfinished business of the Millennium Development Goals and put the world on a sustainable development pathway. As part of this effort, scaled-up investment will be needed for poverty eradication, the transition towards sustainable development and the provisioning of regional and global public goods.

60. The challenge and opportunity ahead involve not only designing a renewed global partnership for development at present but also building a dynamic partnership for the years to come. The partnership will need to evolve with the changing global economic environment and adjust to the unified and universal nature of a post-2015 development agenda. Notwithstanding the present climate of economic austerity in major donor countries, the global partnership for development needs to be renewed in a way that matches the transformative ambition of the post-2015 development agenda.

C. How a renewed global partnership for development could work in practice after 2015

61. A renewed global partnership for development must build on ODA as a vital source of development financing and advance efforts to meet the commitment of realizing the United Nations target of 0.7 per cent of gross national income as ODA, as set out above (see section II). Further improving ODA quality must be seen as part and parcel of the effort on the part of a renewed global partnership to maximize the development impact of aid (see section III).

62. As countries become less aid dependent, a renewed global partnership for development should enable them to mobilize other sources of development finance in order to move beyond the current Millennium Development Goals agenda, to fight the root causes of poverty and to address its multiple dimensions. As countries

increasingly rely on a diverse mix of development finance, this reliance puts an even higher premium on policy coherence between aid and non-aid policies as a driver of development progress.

63. Countries at all stages of development will need to redouble their efforts to transition towards sustainable development. ODA will remain an important source for financing the transition, especially in least developed and other low-income countries. The need, however, is not only for finance but also for knowledge-sharing, capacity-building aspects of ODA and technology transfer, which, when well aligned with countries' needs, carry great potential. These aspects can complement private investment or help redirect it to areas that struggle to attract private investment.

64. In addition, stable and predictable resources will be needed for provisioning regional and global public goods. A renewed global partnership for development needs to galvanize political support for innovative sources of development finance and provide incentives for institutional investors to make long-term infrastructure investments. Action on both fronts will require a stable international financial system and more equitable economic governance.

65. Governments will be in control in negotiating the renewed global partnership for development. But Governments alone cannot deliver the needed transformation. Involving the breadth of actors in its design, implementation and monitoring will be essential. The roles of different actors should be clearly defined and different responsibilities and capabilities should be recognized. Providing ground rules and incentives for the diverse set of actors — and enabling them to apply their respective strengths — will be critical to the successful implementation of a post-2015 development agenda.

66. Effective, innovative and accountable multi-stakeholder partnerships to advance implementation can serve as an important complement to a renewed global partnership for development. Such partnerships, including several recent initiatives launched under the auspices of the United Nations, have shown great potential. By engaging a broad set of actors, including from the private sector, they can strengthen advocacy, develop targeted and innovative solutions, and mobilize additional resources. To maximize development impact, it is critical to promote coherence across partnerships, avoid the establishment of parallel structures and ensure that partnerships are aligned with countries' priorities.

67. It is important to recognize that multi-stakeholder partnerships cannot together substitute for a renewed global partnership for development, which will provide an overarching framework, addressing also the systemic issues. A renewed global partnership for development should provide the framework necessary for individual multi-stakeholder partnerships to operate successfully.

VI. Strengthening mutual accountability and availability of user-friendly information

68. Greater mutual accountability for development cooperation at all levels and greater transparency can support delivery on commitments and progress towards achieving results in sustainable development for people by incentivizing and producing mutual trust and positive changes in behaviour among the various actors

in international development cooperation. A global monitoring and accountability framework after 2015, for all types of development cooperation, can serve to assess and stimulate progress, identify accountability gaps and direct capacity support where it is needed most.

A. Mutual accountability

69. In international development cooperation, accountability serves primarily to support engagement and implementation by encouraging delivery on voluntary commitments and progress towards sustainable development results.[37] Accountability has the potential to serve as an overarching principle and technical tool that can help bring actors together on a level playing field to improve the management and targeting of their efforts. This is particularly important as the landscape of development cooperation actors, approaches and modalities continues to diversify.

70. Accountability for development cooperation is rooted in the Monterrey Consensus and has evolved since it was issued. Member States and other stakeholders agreed at the 2008 Development Cooperation Forum that the Forum should play a key role as an international mutual accountability mechanism to draw together analysis of progress in national- and global-level mutual accountability processes, and thereby contribute to holding donors and programme countries to account. The 2010 High-level Plenary Meeting of the General Assembly on the Millennium Development Goals reaffirmed the importance of mutual accountability to honour commitments by developed and developing countries and thereby accelerate progress to achieve the goals.

71. The 2013-2014 Development Cooperation Forum global accountability survey shows a moderate increase in behavioural changes stimulated by national mutual accountability mechanisms.[38] For example, some countries reported better alignment of donor programmes with national development priorities and commitment from providers to report on their activities in information platforms. In practice, mutual accountability remains focused on recipient Governments, with only limited impact so far on provider behaviour.

72. Recipient countries reported several implementation challenges, such as agreeing on targets for individual providers, including on gender equality; tracking disaggregated expenditure and results; and securing sufficient investment in mutual accountability capacity at the local level. Road maps for developing or strengthening mutual accountability exist in many countries, but they require long-term support and dedicated funding. Evidence shows that a key to progress is Government leadership. Equally critical is provider investment in the institutional capacity needed to examine or scrutinize processes and results from development cooperation. In this regard, key areas include staffing, high-quality country

[37] José Antonio Ocampo and Natalie Gómez Arteaga, "Accountability for development cooperation", background study for the Development Cooperation Forum Germany High-level Symposium, March 2014.

[38] A national mutual accountability mechanism is considered functional if a country has in place an agreed aid or partnership policy, annual targets for effective development cooperation, joint regular reviews of progress towards achieving targets, discussion of reviews in coordination forums that involve all stakeholders and a process to publish findings of such exercises.

frameworks and oversight bodies, such as parliaments and audit and evaluation institutions.

73. The growing diversity of providers suggests opportunities to capture the effectiveness of development cooperation beyond ODA in aid or partnership policies and in reviews of progress towards achieving targets for effective development cooperation. National aid or partnership policies provide a framework to ensure that ODA is properly integrated in and linked to the Government's management of its own budget, to hold providers accountable and to coordinate and monitor off-budget flows. The number of countries with such policies has increased considerably, from 39 in 2011 to at least 47 in 2013, mainly in Africa.[39]

74. Multiple regional and global mechanisms aim to promote accountability in development cooperation — from independent "spotlights" to multi-stakeholder initiatives and intergovernmental arrangements. Such mechanisms demonstrate efforts to address knowledge gaps, for example, by balancing the sources and analysis of information, representing different actors and providing sufficiently frequent assessments.

75. External evaluations suggest that global and regional mechanisms remain insufficiently used at the country level, let alone aimed explicitly to reinforce country-level mutual accountability. The division of labour needs to be clarified so as to consolidate such mechanisms and ensure better linkages and increased cooperation. Engagement of parliaments and civil society must be strengthened as complements to domestic social accountability in both developing and developed countries.

B. Managing development cooperation information

76. Effective mutual accountability requires better availability of comprehensive, fully accessible and user-friendly information on development cooperation flows, implementation and results at all levels. Data needs to be disaggregated sufficiently for different purposes. New technologies to make data collection easier, participative and accessible should be exploited.

77. In half of the countries surveyed for the Development Cooperation Forum in 2013-2014, mutual accountability has triggered demand for development cooperation information, mainly used by Government agencies and providers. Most Governments surveyed have formal systems for tracking ODA information at least annually, with a focus on current and future disbursement. The tracking of gender-disaggregated expenditure and results remains weak.

78. Global and regional initiatives to collect and make available development cooperation information are dominated by provider concerns. Despite increased efforts to balance sourcing, the data continues to be drawn mainly from provider sources and is not always aligned with national classification systems used in programme countries. The information is used primarily by Northern-based academia and civil society for the analysis of trends and provider comparisons.

[39] Angela Bester, "Third global accountability survey on mutual accountability", background study for the Development Cooperation Forum Germany High-level Symposium, March 2014.

C. Towards a global monitoring and accountability framework for development cooperation after 2015

79. There is no one approach to accountability for development cooperation commitments and no "one-size-fits-all". A primary or basic, well-structured and fully recognized global monitoring and accountability framework for development cooperation can draw together analysis of progress in mutual accountability processes at all levels and provide incentives to mobilize all Member States and other actors to become engaged, with the promise of lasting results in poverty eradication and sustainable development as the most powerful motivation. Such a framework or architecture should be simple in design and have the following among its key features:

- Provide adequate policy space and flexibility for all actors to become engaged so as to share knowledge and progress on quantity- and quality-related commitments, taking into account their different capacities and responsibilities
- Build on the evidence base from existing accountability mechanisms at the global, regional, national and local levels to support good quality decisions and effective results
- Use stronger modalities of horizontal accountability, such as peer reviews and mutual accountability, to move beyond monitoring and surveillance
- Promote accountability for commitments and results in a way that does not overburden already stretched development cooperation teams on the ground
- Ensure that all stakeholders are fully capacitated to engage in robust and integrated consultative processes, with parliaments at the centre of national accountability mechanisms
- Serve as an integral part of the monitoring and accountability of the broader post-2015 development agenda, being intrinsically linked to the global partnership for development, global enabling environment and systemic issues
- Promote greater policy coordination and policy coherence for development for better results.

VII. Key messages and recommendations

80. In reviewing trends and progress in development cooperation, the present report sets out the following key messages and recommendations.

81. While ODA will remain crucial, its use will have to be adapted to meet new demands and respond to a unified and universal post-2015 development agenda. Progress towards the United Nations target of 0.7 per cent ODA to gross national income needs to be accelerated.

82. Developing countries will all need continued support in efforts to eradicate poverty and transition to sustainable development. The type of support should be flexible and country-specific.

83. More ODA should be provided to support successful efforts to mobilize domestic resources, build productive capacity and incentivize private investment in

countries and sectors otherwise deemed to be too risky or unprofitable. Given the potential, yet shortcomings, of leveraging or blending public and private sources to generate additional resources, efforts are needed to ensure sufficient development impact and full transparency, accountability and country ownership of this modality.

84. The increasing reliance of countries on a diverse mix of development finance puts an even higher premium on policy coherence between aid and non-aid policies and an enabling domestic and international environment as determining factors for development progress.

85. International public finance used for global public goods is conceptually different from ODA, though it may entail large developmental benefits for developing countries. Financing flows for global public goods should be accounted for separately and accurately, and it should be ensured that these are additional to existing commitments.

86. Current commitments on the quality and effectiveness of ODA should be met. More efforts are needed to reduce conditionalities, optimize intercountry allocation, ensure flexibility to respond to shocks, increase concessionality and reduce fragmentation of ODA.

87. Voluntary monitoring should be extended to these ODA quality principles, complementing the progress report of the Global Partnership for Effective Development Cooperation, and reflected in accountability and transparency initiatives tracking ODA performance. Tracking systems to identify commitments to direct investments in women and girls and gender-sensitive monitoring and accountability need to be strengthened and underpinned by rigorous impact evaluations.

88. Continued global policy dialogue and effective monitoring are needed for intensified collective action on the effectiveness of development cooperation. The effectiveness principles of different players should also be explored as input to a renewed global partnership for development. Despite differences on technical aspects, there are common strands on national ownership, on trust-based, inclusive partnerships and on focusing on long-term, cost-effective development impact. As for the private sector, the impact of its engagement in development needs to be assessed regularly in future.

89. Southern partners have stressed the importance of strengthening evaluation of the achievements and development impact of South-South cooperation projects. Some have suggested to rethink the framing of SSC approaches, modalities and issues by developing a lexicon suited to SSC.

90. The principles, approaches, features and practices of South-South cooperation can inform global efforts to orient future development cooperation. Greater availability and quality of information on SSC is needed to meet the strong demand for peer-learning among the countries of the South. Multilateral institutions and the Development Cooperation Forum are expected to play a more active role in facilitation of such learning.

91. A transformative post-2015 development agenda must be matched by a different scale and scope of international support. The Monterrey Consensus of the International Conference on Financing for Development can serve as a starting point for renewing the global partnership for development, as a dynamic partnership that

can adjust to evolving needs and the changing macroeconomic environment in the coming years. Such a partnership should bring together the Monterrey and Rio tracks on financing for development and means of implementation.

92. While Governments should take the lead in renewing the global partnership for development, the breadth of development actors must be engaged from the outset in its design and implementation. The roles of the different actors, given their different responsibilities and capabilities, should be clearly defined. A renewed global partnership for development should help support and stimulate multi-stakeholder partnerships which advance implementation by engaging different stakeholders and enabling them to apply their respective strengths.

93. In development cooperation, accountability serves to ensure delivery on commitments and progress towards the sustainability of development results. It can also bring actors together to improve management and the targeting of their efforts. National mutual accountability for ODA remains, in practice, more focused on recipient Governments, with only limited impact so far on provider behaviour. Yet, there is growing consensus that mutual accountability can improve ODA effectiveness by freeing up resources and capacities through cost-effective modalities and predictable funding with limited conditionality.

94. While it is not a "one-size-fits-all" approach, a primary or basic global monitoring and accountability framework for development cooperation, including Millennium Development Goal 8 successor arrangements, can draw together analysis on progress at all levels and provide the right incentives to mobilize all actors to become engaged, with the promise of lasting results in poverty eradication and sustainable development as the most powerful motivation.

95. Such a global monitoring and accountability framework for development cooperation should function as an integral part of the monitoring and accountability of the broader post-2015 development agenda. It should be intrinsically linked to a renewed global partnership for development, global enabling environment and systemic issues.

96. The 2012-2014 cycle of the Development Cooperation Forum has stood out for the candid discussions on the ways in which a renewed global partnership could work in practice and on the implications of a unified and universal post-2015 development agenda for the future of development cooperation. The discussions have revealed readiness among the broad range of stakeholders to look anew at the fundamentals of development cooperation, suggesting that space is opening up for mobilizing international support that matches the ambition of a transformative post-2015 development agenda. The Forum provides an appropriate platform for furthering these discussions as part of a coherent global architecture for development cooperation.